

ASSEMBLY BILL

No. 440

Introduced by Assembly Member Corbett

February 16, 1999

An act to add Section 511.5 to the Business and Professions Code, and to add Section 1395.7 to the Health and Safety Code, relating to health care services.

LEGISLATIVE COUNSEL'S DIGEST

AB 440, as introduced, Corbett. Health care providers: withheld funds.

Existing law provides that a contract between a health care provider and a medical group or independent practice association, or between a health care provider and a health care service plan generally may not contain provisions that prohibit, restrict, or limit the health care provider from advertising.

This bill would provide that a contract between a health care provider and these other parties may not contain a withhold provision, as defined, unless the contract also contains certain disclosure provisions. If the contract contains the appropriate disclosures, this bill would also require certain future disclosures with respect to the exercise of the withhold provision, as specified.

Existing law provides that a willful violation of certain provisions governing health care service plans is a crime.

Because a violation of this bill's provisions with respect to health care service plans would be a crime, this bill would

impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 511.5 is added to the Business
2 and Professions Code, to read:
3 511.5. (a) A ‘withhold’ means any funds withheld
4 from reimbursement that are due to any health care
5 provider under an agreement with any medical group or
6 independent practice association (IPA), and that are
7 retained by the medical group or IPA or returned to the
8 provider in whole or in part.
9 (b) No contract that is issued, amended, renewed, or
10 delivered on or after January 1, 2000, between any medical
11 group or IPA and a provider shall contain a provision
12 providing for a withhold unless it also includes all of the
13 following disclosures:
14 (1) The amount, stated in a percentage or in dollars,
15 that will be withheld from the provider’s reimbursement.
16 (2) The time period for which the withhold is being
17 kept and accounted for.
18 (3) The reason for the withhold.
19 (4) The criteria for calculating the amount to be
20 returned to the provider and the amount to be retained
21 by the medical group or IPA.
22 (c) Within 30 days of the conclusion of the applicable
23 time period pursuant to paragraph (2) of subdivision (b),
24 the medical group or IPA shall remit payment to the
25 provider for the amount of the withhold due the provider
26 under the terms of the provider agreement, and shall
27 disclose to the provider in writing all of the following:



(1) The total amount withheld from the provider during the applicable time period.

(2) The percentage or amount of the withhold being returned to the provider.

(3) An explanation of how the medical group or IPA calculated the amount being returned to the provider.

SEC. 2. Section 1395.7 is added to the Health and Safety Code, to read:

1395.7. (a) A ‘withhold’ means any funds withheld from reimbursement that are due to any health care provider under an agreement with a health care service plan, including a specialized health care service plan, and that are retained by the plan or returned to the provider in whole or in part.

(b) No contract that is issued, amended, renewed, or delivered on or after January 1, 2000, between a health care service plan, including a specialized health care service plan, and a provider shall contain a provision providing for a withhold unless it also includes all of the following disclosures:

(1) The amount, stated in a percentage or in dollars, that will be withheld from the provider’s reimbursement.

(2) The time period for which the withhold is being kept and accounted for.

(3) The reason for the withhold.

(4) The criteria for calculating the amount to be returned to the provider and the amount retained by the plan.

(c) Within 30 days of the conclusion of the applicable time period pursuant to paragraph (2) of subdivision (b), the plan shall remit payment to the provider for the amount of the withhold due the provider under the terms of the provider agreement, and shall disclose to the provider in writing all of the following:

(1) The total amount withheld from the provider during the applicable time period.

(2) The percentage or amount of the withhold being returned to the provider.

(3) An explanation of how the plan calculated the amount being returned to the provider.

1 SEC. 3. No reimbursement is required by this act
2 pursuant to Section 6 of Article XIII B of the California
3 Constitution because the only costs that may be incurred
4 by a local agency or school district will be incurred
5 because this act creates a new crime or infraction,
6 eliminates a crime or infraction, or changes the penalty
7 for a crime or infraction, within the meaning of Section
8 17556 of the Government Code, or changes the definition
9 of a crime within the meaning of Section 6 of Article
10 XIII B of the California Constitution.

